DIY Industry update

L-P's sale to Sutherland is off

PORTLAND, Ore.—Louisiana-Pacific's negotiations to sell its seven-unit California home center chain to Sutherland Lumber have ended, and a company official said the stores are still "on the selling block."

The tentative agreement between El Segundo, Calif.-based LP Home Centers and Kansas City-headquartered Sutherland reportedly collapsed over issues dealing with the sites' long-term leasing arrangements.

Sutherland currently has three home centers in southern California and is reportedly looking to expand its stake in DIY retailing there. Louisiana-Pacific bought the home centers from Lone Star Industries in 1979 (*NHCN*, Oct. 25).

B.E. nixes a Sigoloff spot

IRVINE, CALIF.—Builders Emporium executives have decided against airing one of three 30-second commercials Wickes' ceo Sanford Sigoloff taped for the chain.

The BE officials' reasoning had nothing to do with Sigoloff's abilities as television pitchman. BE rejected the ad because of the message Sigoloff delivered.

In the spot, originally intended to be aired this month, Sigoloff explains a promotion in which holiday shoppers will receive a discount card entitling them to a 15% discount on January purchases. Sigoloff says, "It's our gift to you for buying from us."

The Sigoloff promotion was designed at Wickes headquarters in Santa Monica, but a BE official explained, "It did not fit in with our promotional program for January so it is not being run."

Two other commercials Sigoloff taped in September at a nearby BE in San Juan Capistrano, Calif., that began last month are still scheduled to run in December (*NHCN*, Oct. 25).

Hechinger plans Charlotte entry

LANDOVER, Md.—Hechinger, the 34-store mid-Atlantic chain, will open two Charlotte, N.C., stores in March 1983.

The prototype units, with 60,000 sq. ft. of indoor space and a 20,000-sq.-ft. outdoor garden area, will be carved from existing Zayre stores.

The two stores are part of Hechinger's recently announced move into North Carolina, with the first store expected to open in February 1983, in Winston-Salem. It will be located in a former King's Department store.

Other North Carolina cities targeted by Hechinger include Greensboro, Durham and Raleigh.

Speakers slated for Dallas

CHICAGO—Sanford C. Sigoloff, who took the helm of troubled Wickes Cos. earlier this year, will present a "State of the Company" address on opening day of the National Home Center/Home Improvement Congress in Dallas on Feb. 27.

Sigoloff will be one of four speakers scheduled to address the annual exposition. Stanley Marcus, former chairman and chief operating officer of Neiman-Marcus Co., will be the keynote speaker for the show, addressing the opening session. His topic will be, "The Quest for the Best."

David Stanley, president and ceo of Payless Cashways will speak on "Market Strategies for the Home Center Industry," and Joe Samulin, industry consultant and columnist will discuss "Operating Strategies for the Home Center Industry."

At presstime, more than 93% of available space in the seven exhibit halls of the Dallas Convention Center had been sold for the home center show, according to John Berry, director of convention services.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 8, No. 25 December 6, 1982

NBMDA wholesalers raise issue of inflationary price hikes

LOS ANGELES—Building products distributors expressed concern here last month that renewed home building activity expected early next year could have a "very explosive" impact on prices.

The possibility of substantial price hikes was one of several issues raised by distributors and manufacturers at a council meeting during the 31st annual fall convention of the National Building Material Distributors Association.

"The difference between shortage and surplus is a very few percentage points," remarked Carl E. Miller of Associated Building Material, Green Valley, Ariz.

The comment referred to the fact that despite excess capacity existing for many building products manufacturers, a surge in demand could create near-term shortages in the lag to get plants running again. That in turn, distributors fear, could send the prices of lumber, plywood, roofing, gypsum and other commodities skyrocketing from their current two-year lows.

"A 10% run-up in prices wouldn't surprise me," said J. Hays Wimsatt, of Wimsatt Brothers, Louisville, Ky., and outgoing president of the NBMDA.

(Continued on page 63)

Amerhart Ltd., Green Bay, Wis., was named Wholesaler of the Year at last month's National Building Material Distributors Assn. convention. Dick Krause (l.) and Dick Kasper (r.) accept the award from outgoing NBMDA president Hays Wimsatt (2nd from l.) and S. M. Van Kirk, the award's namesake. NHCN photo

Goodman Lumber teams up with PG&E to promote interest-free energy loans

SAN FRANCISCO—Goodman Lumber is working with Pacific Gas and Electric, the northern California utility, to help promote an interest-free loan program and has picked up a 60% sales increase on some energy saving products.

The San Francisco area's good fortune in the form of zero interest loans from the local utility paid off for Goodman Lumber.

The 50-month, interest-free loans are being offered to homeowners who are making their homes more energy efficient. Up to $1,000 is being made available to homeowners who install any of six energy-saving products—caulking, weather stripping, low-flow shower heads, duct wrap, water heater blankets and insulation. Additional funds, up to $3,500, are available to homeowners who undergo an on-site audit by PG&E.

PG&E hired a public relations firm, Ketchum Communications, and gave the company $1.2 million to promote its

(Continued on page 63)

Declining interest rates boost housing permits

NATIONAL REPORT—Housing figures for October continued to give building-related industries cause for optimism.

Although the increase over September for both total and single-family seasonally adjusted starts was only 1%, in both cases permits continued to rise, by 18% and 13%, respectively.

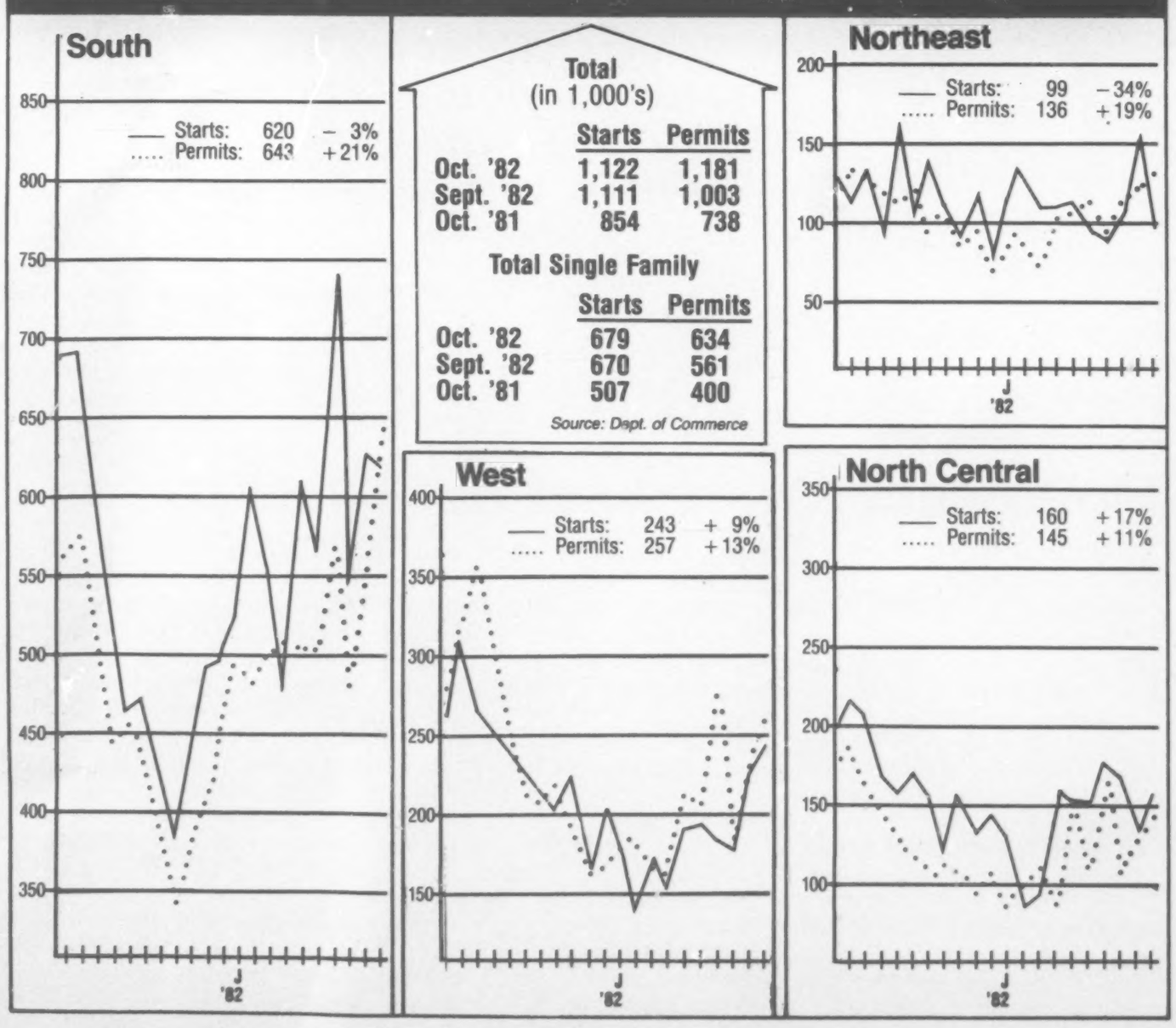
There were 1,181,000 permits for future housing filed during October, on a seasonally adjusted basis, a level that has not been reached since April 1981.

Permits for total housing were 60% ahead of a year ago, seasonally adjusted. The number of seasonally adjusted single-family permits, 634,000 was 58% ahead of a year ago.

Total seasonally adjusted starts numbered 1,122,000. For single-family units the figure

(Continued on page 63)

October home-building activity



LUMBER REPORT

U.S. Coalition seeks large duty on imported Canadian lumber

By Hawk Furman
Special to NHCN

In the largest countervailing duty petition ever filed in the United States, the U.S. Coalition for Fair Canadian Lumber Imports is looking for a $120 per 1,000 board feet duty on lumber imported from Canada into the United States. If the petitioners are successful, this would mean a 65% increase in the price of Canadian lumber, shingles and shakes, and fence, over today's prices.

The Coalition is a powerful group that means business and has spent a great deal of effort in time and money before presenting their two volume, 500-page petition to the International Trade Administration and International Trade Commission.

The players

The Coalition for Fair Canadian Lumber Imports is made up of a group of eight trade associations and more than 350 companies. They charge in their petition, "The subsidies provided to the Canadian softwood product industries are major and widespread. The most significant subsidy is a stumpage subsidy. Other Canadian subsidies include grants, preferential financing, transportation assistance, labor aid, and tax advantages." The Coalition claims that in one year reviewed, a duty of 65% on Canadian lumber products was required to put the United States manufacturers on a competitive basis with Canadian manufacturers.

Those opposed to the petition include the Canadian Softwood Lumber Committee, which is an umbrella group representing 10 lumber associations across Canada.

Don Lanskail, president of the Council of Forest Industries, chairs the committee. The North American Wholesale Lumber Association, the National Association of Home Builders, and the Manufactured Housing Association are strongly opposed to the petition. The International Woodworkers of America, many remanufacturers in the United States, and other parties have spoken out against the petition.

I.T.A. and I.T.C. roles

The petitioners have filed a single petition with the I.T.A., which has the responsibility to investigate if a subsidy exists. The petitioner recognizes that the softwood lumber industries of lumber, shingles and shakes, and fence are separate industries and have filed three separate injury claims with the I.T.C. Its role is to determine if injury has occurred to the United States manufacturers.

The I.T.A., after reviewing the petition, determined on Oct. 27, to proceed with an investigation into possible Canadian subsidies. They are now conducting an investigation.

The I.T.C. held preliminary hearing for lumber on Nov. 3, fence on Nov. 4, and shingles and shakes on Nov. 5. At this time, each side had one hour to present their cases. There was no cross-examination. The Canadian Softwood Lumber Committee, North American Wholesale Lumber Association, and the National Association of Home Builders presented the oppositions' case.

On Nov. 22, the I.T.C. planned to announce whether it would proceed with an investigation or not. If they proceed, the investigation would start and a final decision would be rendered on July 7, 1983.

It is important to note that *both* subsidy and injury have to be proved for the countervailing duty to be implemented. If either subsidy is not found, or if injury is not proven, the petition will be thrown out.

March 7, 1983 is an important date. A temporary tariff could be put into effect. If in July, the I.T.C. finds injury caused and the I.T.A. rules a subsidy exists, the countervailing duty will be instituted and will be retroactive to March 7, 1983. It could even precede March 7, if the commission finds a significant surge of lumber products to the United States from Canada before then.

Industry information

Canada and the United States have different methods of determining stumpage prices. About 95% of all timberland in Canada is owned by the Federal or Provincial governments. The stumpage price they charge reflects the market price of manufactured goods. The higher the sale price of the finished goods, the higher the stumpage cost is to the manufacturer. The truth of the matter is that the Canadian mills are not predatory. They are in the same position as the United States mills with red ink flowing. The top 15 lumber producers in British Columbia stand to lose over $500,000,000 in 1982.

Production in Canada is running at 70%-80% capacity as it is in the United States. Labor costs and manufacturing costs are higher on average in Canada than in the United States. Some timber in the Pacific Northwest recently sold for as low as $60 per thousand board feet on the stump. If this is the case, how can the Canadian stumpage be subsidized by $113.78 per thousand board feet as stated by the petitioners? Canadian lumber ex-

(Continued on page 16)

FUTURES

Two weeks ended Nov. 12, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4s; $ per 1,000 bd. ft.							
Nov.	151.00	141.10	149.30	148.70	812	224.50	128.00
Jan. '83	167.40	158.40	166.20	166.10	4,655	205.50	139.00
March	180.70	169.50	179.00	179.20	2,000	209.80	146.80
May	188.90	178.60	187.80	187.70	680	202.00	151.50
July	196.00	187.30	194.40	194.70	820	201.00	158.00
Sept.	201.00	191.00	197.70	201.00	486	201.00	163.80
Nov.	202.40	192.20	197.90	201.00	193	202.40	168.00

Total Contract Vol. (Through 11/12): 27,157 — Previous Two Weeks: 22,374
Total Open Interest (As of 11/11): 9,690 — Previous Week: 9,068
Cash Price: $148.96 — Previous Week: $147.98 — Year Ago: $133.28

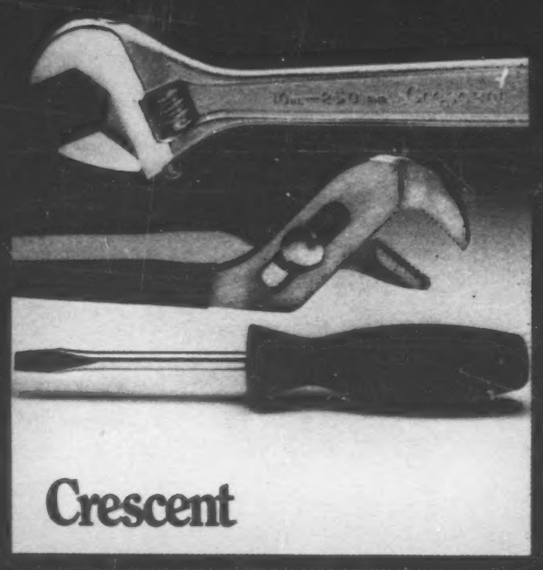
	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Nov.	193.50	184.50	193.50	190.80	101	226.50	154.80
Jan. '83	197.00	188.00	197.00	195.00	1,070	218.60	157.00
March	200.80	192.00	200.80	199.20	271	200.80	162.50
May	204.70	196.00	203.50	201.70	142	204.70	167.00
July	207.80	199.00	207.30	205.50	147	207.80	170.00
Sept.	210.00	204.00	209.00	208.50	34	210.00	185.00

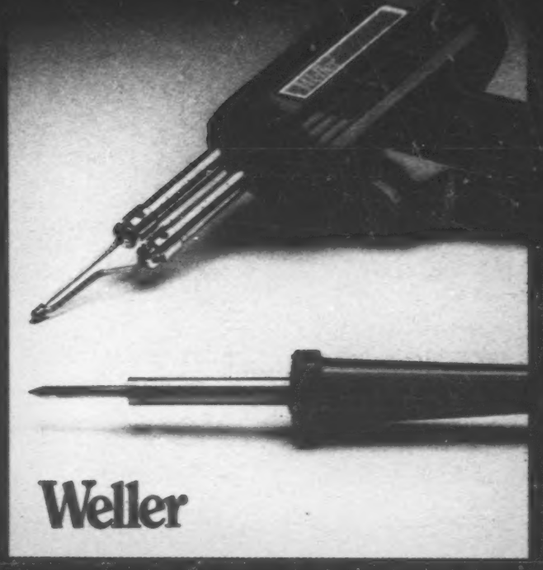
Total Contract Vol. (Through 11/11): 2,551 — Previous Two Weeks: 2,320
Total Open Interest (As of 11/11): 1,765 — Previous Week: 1,823
Cash Price: $187.18 — Previous Week: $188.20 — Year Ago: $185.22

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	233.9	234.5	268.4

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, 11/11/82.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

The Tools of The Trade.





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Home centers outperforming mass retailers

(Continued from page 1)
chains may not reflect the true picture in the wider universe of home centers.

"I'm not sure the home center industry is doing as well as has been reported; because the chains are doing well, people assume that the industry is doing well. You can't look at 20% unemployment and not be affected," said Tom Herward, vp marketing at Busy Beaver, the 30-store, Pittsburgh, Pa., chain.

Busy Beaver's 20% rise in consumer sales was led by the energy category. Fiberglass insulation, weather stripping and storm windows sold heavily in October.

Interest expense at Busy Beaver was down in October compared to the year before, and Herward estimates interest expense may decline more significantly over the next year—perhaps 20% in 1983.

Forest City's October sales climbed 21% over the previous year to an estimated $11 million, and Rod Marques, vp finance, estimated that profit in October as a per cent of budgeted sales "will go up fourfold over the planned percentage budget for the month. October 1981 was a breakeven month for us, but this October was one of our better months of 1982." The big seller at Forest City was snowblowers, with last year's record cold winter fresh in Midwestern memories.

Marques also noted that interest expense was cut by one-third this fall compared to 1981 levels, but he doesn't expect it to dip much further. Due to disinflation, dollar sales were lower on lumber, although unit sales were about the same. Marques said sales of building materials were down about 3% while dimensional lumber products dipped as much as 10%-15% compared to last year.

While 84 Lumber's sales (over $65 million for the month of October) were 27% higher than 1981's, profit as a per cent of sales was 2.2% compared to 3.1% for the same period in 1981, according to Larry Neill, director of training. The decrease in profit was in large part conscious according to Neill.

Neill explained that interest expenses at 84, which by September were down 54% from 1981, were not considered especially significant at his company. With fiscal year ending in November, 84 Lumber generally has a decrease in borrowing at year-end as real estate and construction borrowing deals generally start the new fiscal year with planning for spring expansion.

Larry Platt, president of Knox Lumber of St. Paul, Minn., noted that the best movers in his chain's 20% October sales increase were insulation, roofing and commodities. Since the nine-store chain operates on a strictly cash and carry basis Platt said he could not tell precisely how much of the sales increase was consumer business, but estimated it to be a major factor.

Scotty's, the 98-store, Winter Haven, Fla., chain, posted a 4% rise in October 1982 sales from $22,794,000 in 1981 to $23,,624,000. There was a slight decrease in profit as a per cent of sales during Scotty's first quarter (July-September); it was 2.78% for 1982 compared to 3.05% in 1981.

Richard Martineau, Scotty's controller, attributed these figures to expansion. "It was due primarily to increased overhead from 16 stores that opened last year, many of which were acquisitions," said Martineau.

October 1982 sales were up 13% compared to October 1981 in Boise Cascade's 92 home center units west of the Mississippi.

NBMDA

(Continued from page 2)
Of greater concern to some distributors was the possibility that the jump in prices could set off a new wave of inflation, thereby threatening to push up interest rates.

Others argued on the other hand that the increase in home building activity would roll out slowly, and tend to moderate the kind of surges in demand seen in the aftermath of past recessions. Nearly all distributors agreed that the essential goal in emerging from the present downturn for their businesses was to build toward profitability, even if it meant changing the product lines they carry.

Distributors also remarked that manufactured housing would become an increasingly important outlet for their businesses, and that a number of companies already were finding success in filling the requirements of some plants which typically maintain only a four-hour supply of inventory.

"It demands instant service," said one distributor, but it will be a viable business in the future in addition to DIY and remodeling markets, he added.

In separate events during the NBMDA convention, Amerhart Limited, Green Bay, Wis., was named Wholesaler of the Year; and Perry N. Sparks of Lumberyard Supply, St. Louis, was elected president of the association.

Amerhart was selected among five regional winners recognized by home center and building material retailers across the country for outstanding service in an independent, audited poll.

The regional winners were: Benco Building Products, Greensburg, Pa.—in the East; Rounds & Porter, Wichita, Kan.—in the midcontinent region; Dallas Wholesale Builders Supply, Dallas—in the South; Gittings Lumber, Denver—in the West, and Amerhart, in the Midwest.

Canfor Ltd.'s Toronto branch was named NBMDA Wholesaler of the Year for Canada.

The election of Perry Sparks to NBMDA president brings the family's involvement with the association full-circle: Spark's father, Harold W., was president during the time the NBMDA was first incorporated as an independent trade association of wholesale distributors, in 1951.

Hand truck sales

(Continued from page 3)
fer radically, and retailers have had a hard time selling quality to a consumer public that is looking to shop price.

"Some of the stuff on the market is unbelievable," said Ole's Mendes. "The metal is very soft and couldn't hold anything. And the bracketing is very insubstantial." Nevertheless, price footballing has affected truck sales at his chain, where, Mendes claimed, the price of the product has gone up and down by as much as $10 over the past months.

However, the volume the trucks have been producing for other chains remains the most appealing element the product offers.

"I think the key element in the trucks' popularity is when the manufacturers showed the products could cart garbage cans which makes them attractive to older consumers," said the chain's merchandise manager. "But some of the trucks on the market just bend when even a little weight is put on them, so you have to be careful when you're buying." His chain, which is selling its truck models at $19.99, guarantees the product for one year. "We haven't changed suppliers, and have had very few complaints from customers.

The durability of the trucks has become somewhat of a sore spot for some importers, and several are attempting to upgrade the overall image of the product line. One importer, 3I Duracraft in Northridge, Calif., offers a 10-year warranty on its "Kart-All" product that the company's ads claim can support up to 1,000 lb. The company sells such home center chains as Orchard Supply, Edward Hines Lumber, Von Tobels, Westlake Hardware, and Haywood Lumber in Salinas, Calif.

"We got into the truck market because we could see there was a need for a quality product at the $20-$40 price range," said Duracraft's sales department manager Carla Henry. "But there's still a real problem of quality with some of the products on the market, which are very lightweight and don't have much capacity."

Jim Martin, the general manager of the three-unit Von Tobel's In Las Vegas, Nev., said he has had very few customer problems with Duracraft's hand truck. The product line, in fact, has been so successful, that he has arranged for Von Tobel's parent company, Pay 'n Save Corp. in Seattle, to import container quantities of hand trucks from the Orient on its behalf.

Martin noted that while his stores are seeing most of the sales activity at the promotional $17.95 price, "hand trucks will sell on a day-to-day basis, and we've seen good volume at the retail price of $29.95." And, hand trucks are turning at a rate of about five times annually for Von Tobel's. Martin said that his stores' sister chain, the 75-unit Ernst Home Centers, is contemplating taking on the product "in a big way."

Housing permits up

(Continued from page 2)
was 679,000.

The increased activity has been attributed to the sharp decline in interest rates since the summer. The prime, which was 16.5% in July is now down to around 12%. The average effective interest rate on a conventional home mortgage dropped to 14.85% in early October, the lowest rate since June 1981, according to the Federal Home Loan Bank Board. Last July the average rate was 15.74%.

In view of positive signs, several organizations last month offered relatively upbeat construction forecasts for next year, based on the assumption that interest rates would continue to slip downward.

The National Assn. of Home Builders predicts 1,365,000 units in 1983 and 1,588,000 in 1984, compared with 1,052,000.

McGraw-Hill Information Systems expects 1,325,000 units to be built in 1983 compared with 1,034,000 this year.

Canadian home centers

(Continued from page 3)
area," he said. "A couple of years ago, there were 42 lumber and building material stores. Now, there are 22."

For many, the DIY market has been "the savior," according to W. Paul Landry, executive director of the Atlantic Building Supply Dealers Assn., LBMAO's counterpart in the Maritime provinces.

"People are still buying," remarked John Noble, manager of The Building Centre in Mississauga. "As long as we've been in the do-it-yourself end, we've been O.K. Just look at [retail and hard lines giant] Canadian Tire. I understand they are having a great year because people are holding onto their cars and fixing them.

"In our business, we do weekly advertising, but it's competitive. I'm sure everyone's margins are down."

Chatham Cash & Carry's Tunks admitted that the situation could be better but he was not complaining.

"We're satisfied with our return," he said. "It's not as good as it was but we're satisfied."

His business has changed from a 50:50 consumer-contractor split to one that favors the do-it-yourselfer who now makes up 75% to 80% of the business. Tunks has sparked that change, in part, by spending more on advertising.

For a while during a show seminar, the private sector was blaming the Government and the Government was blaming the private sector for the country's difficulties.

Patricia C. Johnston, vice president, legislative, of the Canadian Federation of Independent Business, termed Government at one point as "another special interest group."

Meanwhile, Claude F. Bennett, Ontario's minister of municipal affairs and housing, said the private sector has suggested many of the present policies of Government and has delivered to officials a mixed message of "we can do it, but you [Government] take care of it."

The bottom-line message during the seminar was clear, however. Cooperation among all groups is necessary to tackle key issues effectively.

The LBMAO has initiated a program aimed in that direction. Its Government liaison program is intended "to develop individual relationships with Parliamentary members" so that the Federal and provincial Governments not only know the organization's thinking and vice versa but also to know LBMAO members, Hardy said.

Another bright spot for the LBMAO was show attendance, up about 30% from last year. The rise was, partially attributable to the combination of the show and the congress, which in the past were held separately.

Goodman

(Continued from page 2)
ZIP (Zero Interest Program) energy conservation drive. ZIP started up last April, but was not marketed through a retailer until Charles Goodman approached the utility.

Goodman, secretary treasurer of Goodman's Lumber, learned about ZIP from his company's insulation supplier. "I knew that PG&E had no way of marketing the program so I approached them with a rough layout of an ad."

PG&E decided to market the loan program at Goodman's San Francisco store on weekends, and began a five-week pilot last August. PG&E sent a crew of clerical help, supervisors and conservation experts to the Goodman store on Saturdays from 8:30 a.m. to 5 p.m. and Sundays from 10 a.m. to 5 p.m. to process loan applications.

The PG&E people came armed with microfiche equipment to do credit checks on the spot. A quick computer check to see that customers had had accounts with the utility for at least one year, and had no turnoff notices during that period, enable PG&E representatives to approve loans instantly. The conservation experts could suggest measures and materials beyond the "big six" for energy improvements in the home.

Goodman's advertised on the radio, footing the entire bill, and in newspapers, sharing the cost 50/50 with PG&E during August. Altogether 119 loans were approved at Goodman's during August and the average size of the loans was $600.

Goodman was pleased with the increase in traffic and sales during the August test. Both Goodman and PG&E officials pointed out that August was a warm month and expectations are running higher for the current campaign that started in November and will run through the Christmas holidays.

Goodman said, "We sold 2½ times the insulation we normally sell in August, and sales went up on some products 60%." Products which Goodman said he never thought of promoting before, like low-flow shower heads at $23, sold by the score.

The newspaper ads ranged from ¾ to full-page spreads, featuring the "big six" products and a promotion on the loan program. Goodman's ZIP loan processing days were successful enough to attract inquiries from other retailers like Sears, but PG&E has not finalized any arrangements to hold loan workshops in other retail locations at this time.

Hardware Show to open 1st at McCormick West

STAMFORD, Conn.—The 38th Annual National Hardware Show will open first at Chicago's McCormick Place *West* (formerly Donnelley Hall) on Sunday, Aug. 14, and close on Wednesday, Aug. 17, 1983. McCormick Place will be open Monday through Thursday, Aug. 15-18.

Show manager Art Maxon, indicated the need for the early opening, based on the size of the show and number of participants. "The purpose of staggered dates," he said, "is to simply give our attendees ample time in which to conduct their business."

Fiscal experts find few flaws in chain

Hechinger may be the model of merchandising acumen, but its success is also attributed to being one of the best financially run companies in the home center industry.

When stacked up against five other publicly held home center firms, Hechinger ranked first on an annual basis in 7 out of 10 key financial measures in fiscal 1982, according to *NHCN*'s analysis.

A look over the past three years indicates Hechinger, financially, has been improving its position too: it led in six measures in fiscal 1981 and in five the year before.

Financial analysts generally agree that despite concern over the age of Hechinger's top management and its "in-bred family" board of directors, it is hard to find a flaw in the way the company manages itself financially.

To put Hechinger's performance in perspective with the rest of the home center industry, *NHCN* compared its figures with Lowe's, Pay 'N Pak, Payless Cashways, Scotty's and The Home Depot. The companies were compared on the basis of their quick ratio, current ratio inventory to total assets, fixed assets to total assets, leverage, return on equity, return on total assets, inventory turns, operating income to sales and net income to sales through approximately mid-year for each of the last three years. (See accompanying charts.)

Hechinger has ranked No. 1 the last three years in current ratio, current assets to current liabilities; quick ratio, current assets less inventory divided by current liabilities; inventory to total assets and inventory turns.

Its figures of 27% inventory to total assets and 7.5 turns on inventory this year are particularly impressive.

The chain moved into the top spot for the first time in the last three years in 1982 in net profit to total assets, 8.7%, and net income to sales, 4.3%.

For the last two years, Hechinger has led in operating income to sales against the other five companies with a most recent figure of 8.1%.

Although it was not included in the study comparisons, Hechinger's shrink rate of less than 2% of sales is relatively low.

Figures like these sit well in the financial community.

"I look at a number of things," responded Robert Simonsen, analyst with Kidder Peabody, New York, when asked the strengths he looks for in a company. "What are the company's growth prospects; are they sustainable; what its management is like; does it have the financial wherewithal to grow, and how does its current price relate to its growth potential?

"I would say Hechinger is one of the strongest companies in the home center industry in these terms."

Among the company's strengths is its balance sheet, according to analyst Franklin Morton of Alex Brown & Sons, Baltimore.

"They are well-capitalized and the $25 million in cash they have gives them flexibility that others don't have," Morton said. "They have not needed to borrow at these high interest rates."

Morton also likes the constant sales and earnings increases Hechinger has produced. He added, "Its return on sales has increased each year of the last seven to become the highest in the industry."

An industry consultant commented about Hechinger's financial situation, "By almost any criteria, Hechinger has done a superb job."

The analysts also look off the financial statements and within the company when they reason why Hechinger is so strong financially.

"Hechinger's strengths lie in its imaginative management that is forward-looking and aggressive," related Elliot Benson, analyst with Ferris & Co., Washington, D.C. "They have developed a tremendous knowledge of the market and what can be sold. The chain has a powerful team of players."

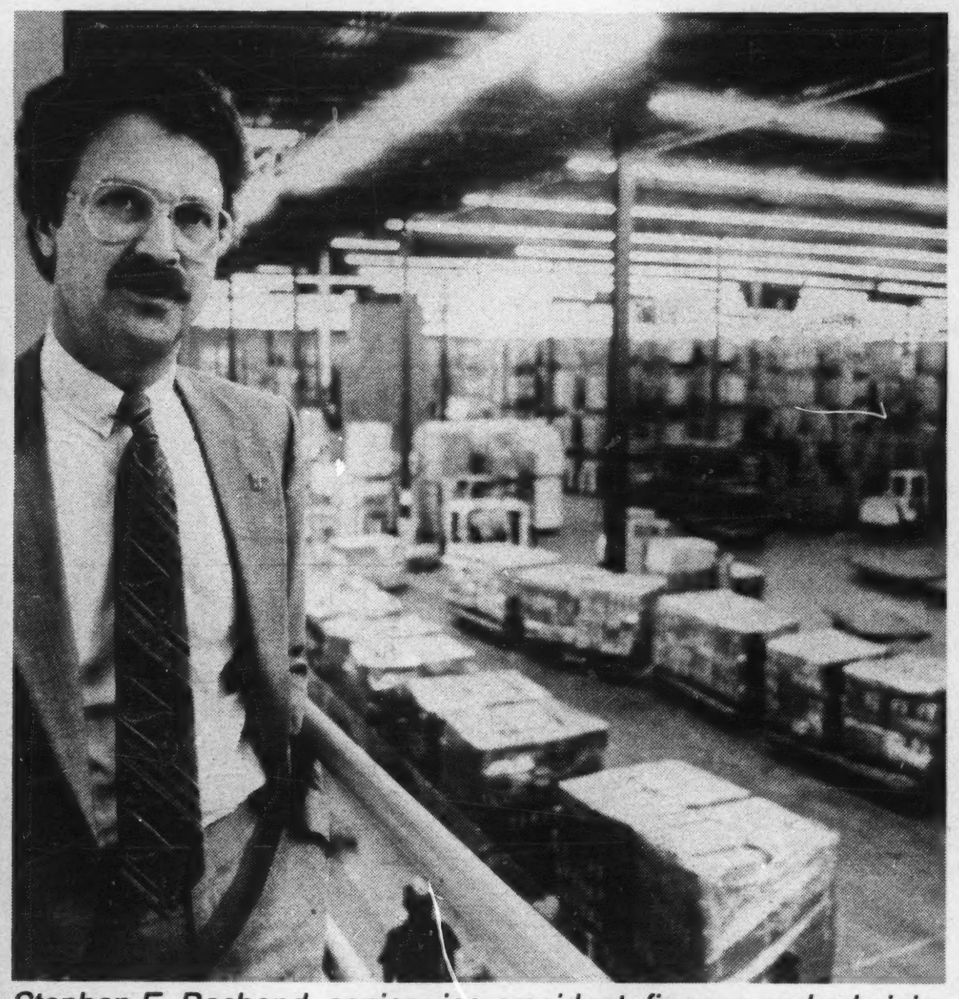
Skip Helm of William Blair & Co., Chicago, views the chain's merchandising capabilities and nature of its stores as keys to success.

"They have a formula that is appealing," he said. "Their execution is top notch. They are held in the highest regard within the industry."

"The stores are the most exciting things about them, their first-class locations, size, selection and presentation," an industry consultant said. "They have tremendously appealing stores. For a woman, the shopping environment is flattering, and their high-price image is just that, an image. It's not reality."

Even when statistics would indicate Hechinger is not as

(Continued on page 56)



Stephen E. Bachand, senior vice president, finance and administration, on a balcony overlooking the Landover, Md., distribution center, is credited with developing controls that allowed Hechinger to expand rapidly.

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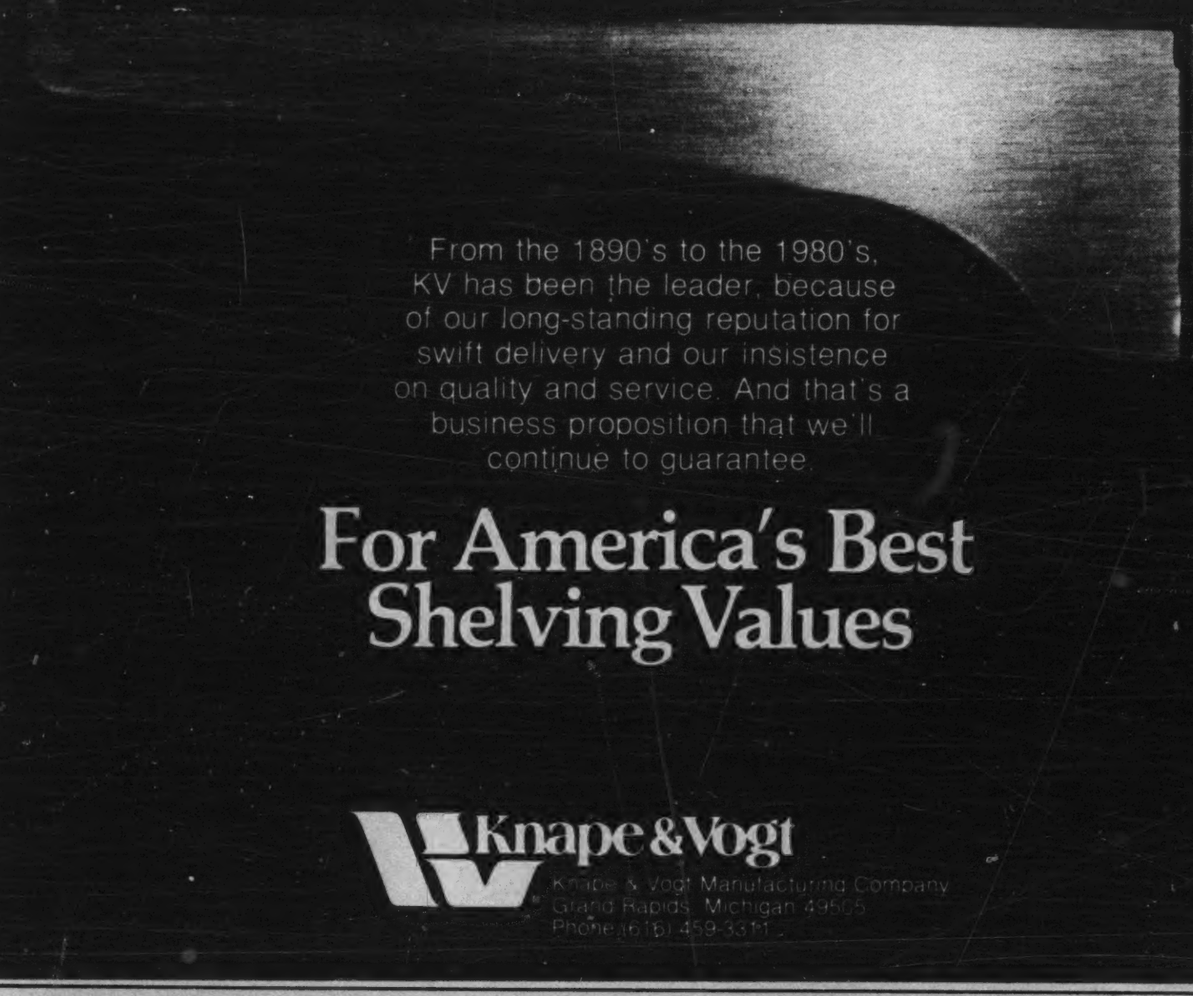

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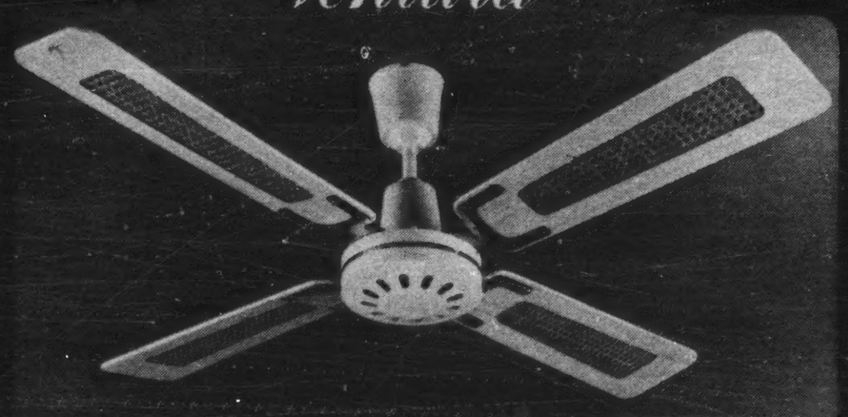

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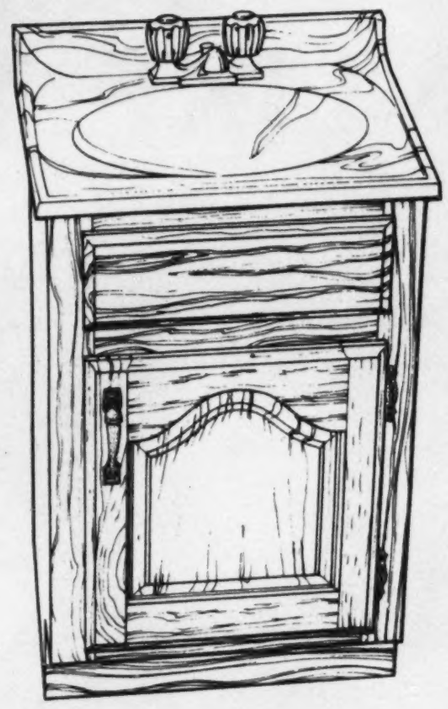

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NET INCOME/SALES

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
3	3	1	Hechinger	4.3%	4.0%	3.8%
4	5	2	Payless Cashways	3.6	3.4	3.7
1	4	2	Scotty's	3.6	3.4	3.7
1	2	2	Pay 'N Pak	3.6	4.1	4.3
—	1	5	The Home Depot	3.5	5.3	—
5	6	6	Lowe's	2.2	2.1	2.4

$$\text{Net Margin} = \frac{\text{Net Income}}{\text{Sales}}$$

OPERATING INCOME/SALES

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
3	1	1	Hechinger	8.1%	7.6%	7.4%
—	3	2	The Home Depot	6.9	7.2	—
4	5	3	Payless Cashways	6.7	6.2	6.9
1	4	3	Scotty's	6.7	7.0	8.0
2	2	5	Pay 'N Pak	6.5	7.4	7.8
5	6	6	Lowe's	4.1	3.9	4.6

$$\text{Margin} = \frac{\text{Operating Income}}{\text{Sales}}$$

RETURN ON TOTAL ASSETS

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
2	2	1	Hechinger	8.7%	8.2%	9.4%
4	3	2	Payless Cashways	8.0	8.0	7.4
1	1	2	Scotty's	8.0	8.5	11.0
—	6	4	The Home Depot	7.5	4.5	—
3	4	5	Pay 'N Pak	7.1	7.0	7.6
5	5	6	Lowe's	5.5	5.8	6.9

$$\text{Return on Total Assets} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Few flaws at Hech.

(Continued from page 52)

powerful as others, there are some good reasons why that's true.

In return on equity, Hechinger ranked No. 3 among the six DIY companies in the *NHCN* study. The analysts indicated that the 34-store chain's return on equity is deceiving, however.

"It's much stronger when you factor out that $20 million it has lying in marketable securities," Kidder, Peabody's Simonsen said.

The marketable securities which Hechinger owns, however, is a key asset in the company's expansion prognosis, the analysts indicated.

"They are in a beautiful position to continue expanding," the consultant said. "They can even go back to the stock market for another offering. There's no reason for them to go to the debt market."

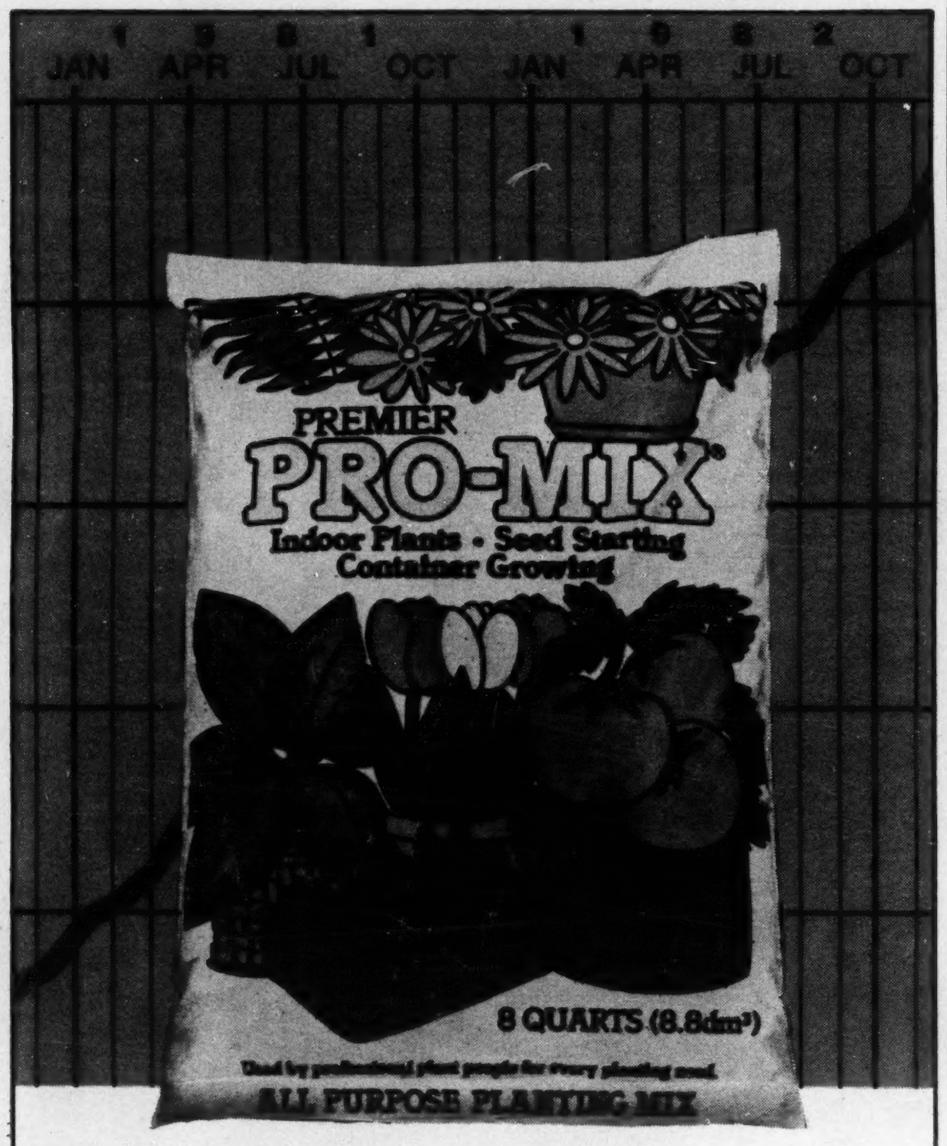
The analysts also view the current asset as having potential use in the acquisition market, especially with Woolco units now available to Hechinger.

"I think Hechinger is in as good a position as anyone to afford expansion and I anticipate it will have a greater number of stores and accelerate its expansion plans," Simonsen said. "When a store's sales and profit are cyclically depressed, home centers most likely curtail their growth. But as earnings go up, so does one's cash flow, which allows for greater growth possibilities."

Comments on Hechinger's expansion into North Carolina run the gamut from "They'll teach Lowe's a lesson" to "It'll be Hechinger's first real test."

"Part of Hechinger's strength is that they operate in

(Continued on page 57)



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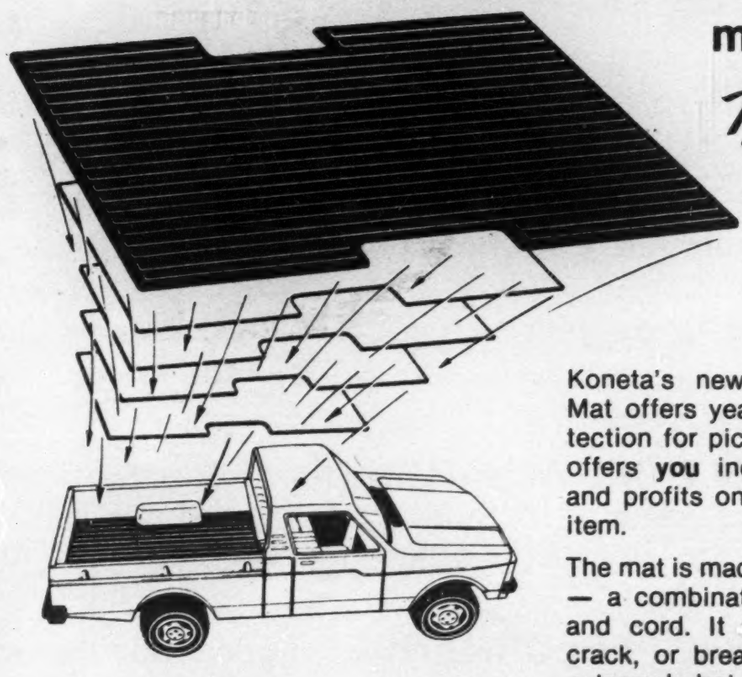

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Hechinger

(Continued from page 56)

a terrific market," said William Blair's Helm. "D.C. has a lot of older homes, a high degree of turnover, high per capita income and is not price sensitive. You have to hand it to Hechinger, though. It has been responsive to that market.

"You take that a step farther and the potential risk in new markets like Philadelphia and North Carolina is tough. Lowe's will respond and there'll be more price competition. My only concern is Hechinger's high cost of operation. Its investments in inventory and distribution have been large but it has been able to cover them in their pricing. It may have some pressure on its margins in North Carolina."

For the most part, he added, Hechinger has chosen some good North Carolina markets.

Kidder, Peabody's Simonsen appears a bit unfazed by the commotion, however.

"The industry is so large that it can sustain a bunch of winners in many markets," he said.

The close-knit family makeup of the company is about the only area where outsiders question Hechinger.

INVENTORY TURNS

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
1	1	1	Hechinger	7.5	7.1	6.8
3	3	2	Scotty's	6.5	5.9	6.2
—	4	3	The Home Depot	6.0	5.4	—
1	2	4	Lowe's	5.7	6.8	6.8
4	5	5	Payless Cashways	4.7	5.0	4.1
5	6	6	Pay 'N Pak	3.6	2.9	3.5

$$\text{Inventory Turns} = \frac{\text{Sales}}{\text{Inventory}}$$

Footnote to Charts

Figures for Hechinger, The Home Depot and Lowe's for each year include the previous 52 weeks ending with the second quarter (July) of their fiscal years. All numbers are based on the LIFO method of inventory valuation.

Scotty's figures are taken from its annual reports in the last three years. Scotty's adopted LIFO on June 29, 1980.

Pay 'N Pak figures for each year are from the previous 52 weeks ending in the second quarter (August) of the company's fiscal year. Pay 'N Pak has always used the FIFO method of inventory valuation.

Payless Cashways' figures for each year include the previous 52 weeks ending in the third quarter (August) of its fiscal year. Payless switched to LIFO from FIFO on Dec. 1, 1979.

CURRENT RATIO

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
1	1	1	Hechinger	3.29	3.27	2.50
2	2	2	Scotty's	2.55	2.56	2.44
5	3	3	Payless Cashways	2.27	2.31	1.81
—	6	4	The Home Depot	2.25	1.42	—
4	5	5	Pay 'N Pak	2.11	1.83	2.38
3	4	6	Lowe's	2.00	2.09	2.40

$$\text{Current Ratio} = \frac{\text{current assets}}{\text{current liability}}$$

QUICK RATIO

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
1	1	1	Hechinger	1.95	1.99	1.06
3	2	2	Scotty's	0.85	0.90	0.66
2	3	3	Lowe's	0.67	0.86	0.98
—	4	4	The Home Depot	0.65	0.33	—
5	6	5	Pay 'N Pak	0.22	0.07	0.16
4	5	6	Payless Cashways	0.16	0.14	0.20

$$\text{Quick Ratio} = \frac{\text{Current Assets } (-) \text{ Inventories}}{\text{Current Liabilities}}$$

INVENTORY/TOTAL ASSETS

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
1	1	1	Hechinger	27.0%	28.7%	35.6%
2	2	2	Scotty's	34.4	38.3	41.2
3	3	3	Lowe's	44.8	41.2	41.6
4	4	4	Payless Cashways	46.6	47.2	48.1
5	5	5	Pay 'N Pak	54.2	57.5	50.5
—	6	6	The Home Depot	59.8	60.9	—

LEVERAGE

RANK 1980	RANK 1981	RANK 1982	Company	RATIO 1982	RATIO 1981	RATIO 1980
—	6	1	The Home Depot	1.64	3.44	—
4	1	2	Hechinger	1.72	1.74	2.17
3	4	3	Payless Cashways	1.87	2.08	2.12
1	3	3	Scotty's	1.87	2.04	1.81
2	2	3	Lowe's	1.87	1.93	1.87
5	5	6	Pay 'N Pak	2.30	2.57	2.36

$$\text{Leverage} = \frac{\text{Total Assets}}{\text{Stockholders' Equity}}$$

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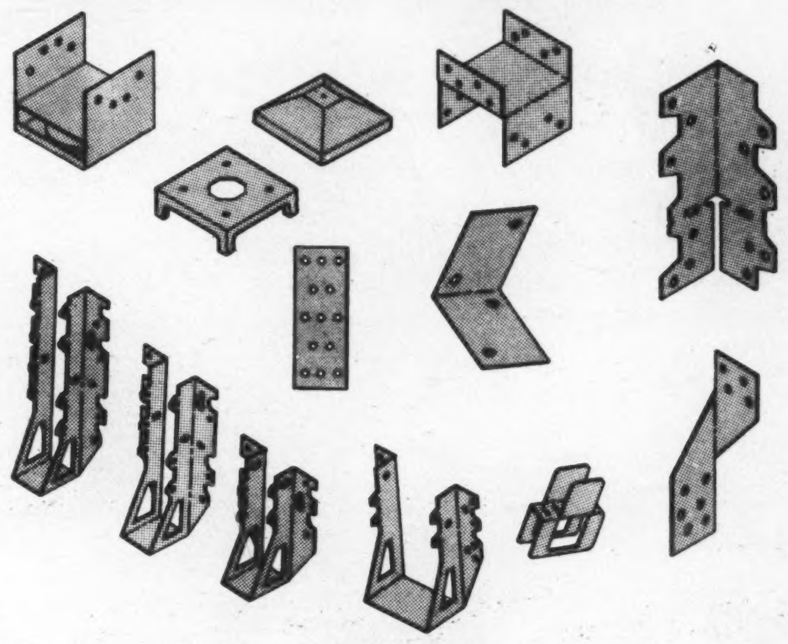

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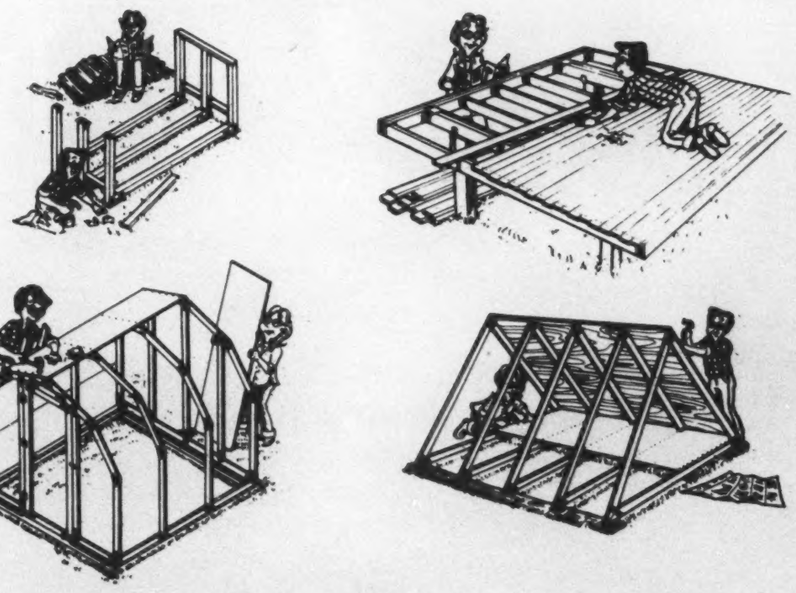

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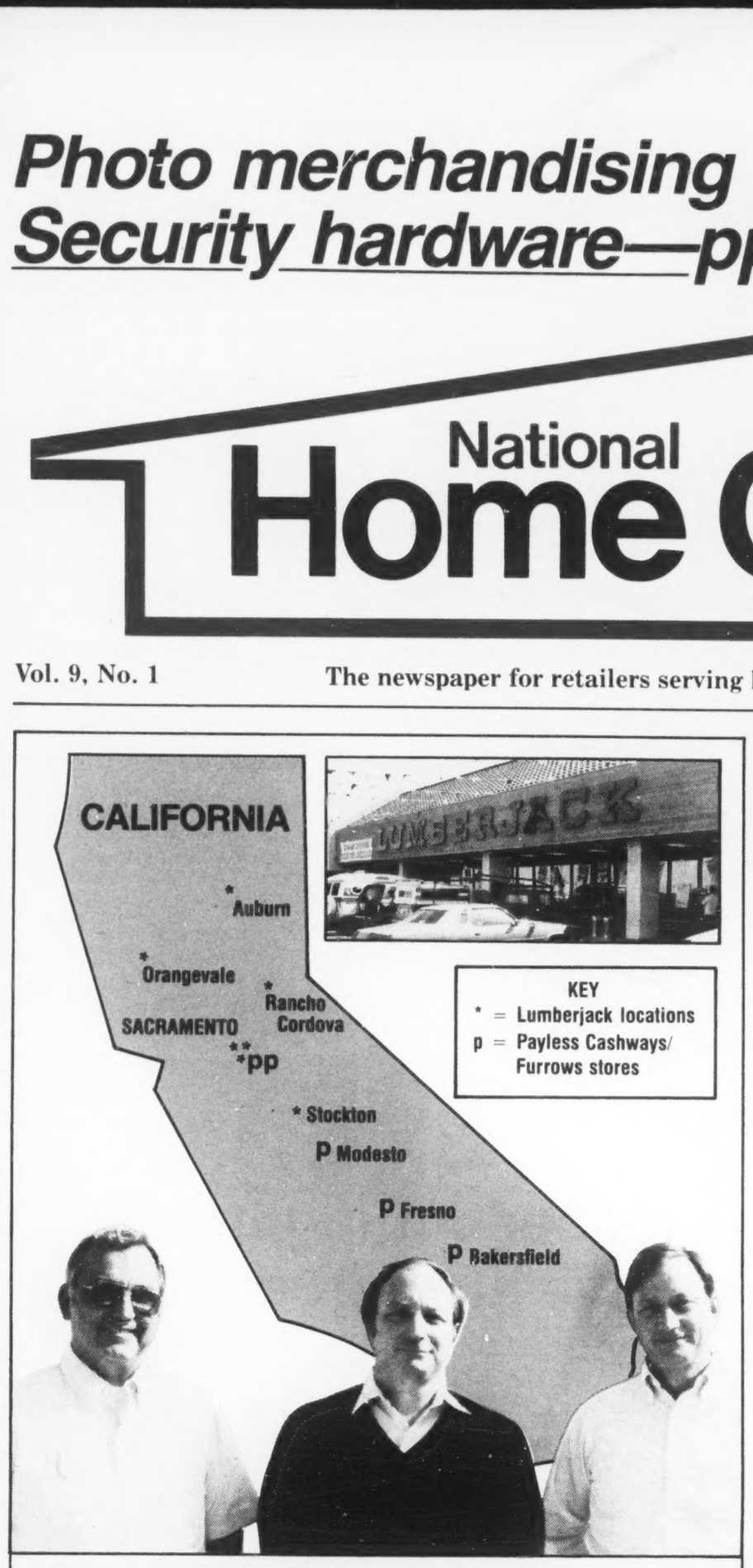
National
Home Center News

Vol. 9, No. 1 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. January 3, 1983



Payless Cashways' five California Furrows outlets will change their name to Lumberjack, following Payless' acquisition of seven-unit Lumberjack. Lumberjack execs (left to right) Gary Levi, vice president; Jay Steiner, vp treasurer, and Tim Steiner, vp planning and development will continue to run the Sacramento-based operation.

Payless floats stock offer to purchase Lumberjack

By Molly Brauer
NHCN field editor

SACRAMENTO, Calif.—David Stanley, president of Payless Cashways, was chatting with a reporter about the California market several months ago when he gave him this tip: "If you want to know anything about Sacramento, call Lumberjack." Apparently Stanley meant it; December 13th Payless Cashways announced its acquisition of the seven-store independent for approximately $26,500,000.

The purchase of Lumberjack, which posted $52 million in sales in the first 10 months of 1982, was financed by a 700,000 share equity offering underwritten by Goldman Sachs, Kidder Peabody and Piper, Jaffray & Hopwood (where David Stanley was a vice president until 1980 when he came to Payless). Payless stock was selling at $43 at presstime, and it is estimated the offering will gross about $30 million.

The Lumberjack purchase was Payless' third acquisition in 1982, which was also a year of sustained building for the chain. Payless, with sales of $602 million in its fiscal year

(Continued on page 34)

Sears shuns home centers for specialty paint stores

Giant retailer opts for 6 smaller units

By John Caulfield
NHCN associate editor

CHICAGO—Home centers are out, specialty stores are in.

That was the surprising message the home improvement industry got from Sears last month when the nation's largest retailer revealed it would be opening six freestanding paint and hardware specialty outlets in three metropolitan markets as part of a one-year test program.

It was reported initially by inside sources familiar with Sears' market plans that the company would be moving this spring into 20,000-30,000-sq.-ft. home centers, either in southern Florida or Los Angeles, that would offer a wide array of DIY products (*NHCN*, Dec. 6, 1982). However, those plans apparently have been put on the back burner, and Sears has opted instead to go with smaller, 2,600-3,300-sq.-ft. specialty units, with two stores scheduled for operation in each of the Los Angeles, New York and Chicago markets.

Artist's rendering shows one of six Sears Paint & Hardware stores scheduled to open in 1983.
Courtesy of Sears

The first store, to open this spring, will be a 3,300-sq.-ft. leased unit located in the Strathmore Square shopping plaza in Buffalo Grove, Ill., a village of 12,000 residents five miles northwest of the heart of

(Continued on page 34)

Northeast lumbermen optimistic as NRLA show opens in Boston

By Kenneth Schept
NHCN senior editor

BOSTON—Lumber dealers in the Northeast are anticipating a happier new year than the one past, when sales remained flat until the final quarter.

Last fall the combination of dropping interest rates, rising lumber prices and unusually mild weather sparked increased sales, as some retailers hiked their lumber prices and even deepened inventory.

Although substantial inventory investment is not expected until spring, a Random Length's poll late last year showed that 85% of northeastern lumbermen surveyed plan to build inventories. The same percentage expected their 1983 sales would surpass this year's.

In November the Boston Five Cents Savings Bank, the largest savings bank in New England, closed just over $12 million in residential mortgage applications, the largest single month in its history. Just a few months earlier, during the summer of 1982, it was closing only $3 to $4 million per month, according to William Morrisey, executive vice president.

While retailers were cautious about the scope of the rumored rebound, their upbeat attitude seemed to be reflected in preregistration for the 89th Northeast Retail Lumbermens Assn. Building Materials Exposition scheduled for Jan. 7-9, at Hynes Auditorium, here.

By mid-December 10,000 delegates were expected, ac-

(Continued on page 33)

Chains raising stake in TV advertising

NEW YORK—Home center chains are raising the ante substantially in the television advertising game.

According to the latest figures from the Television Bureau of Advertising (TVB), the 15 heaviest TV advertisers in the home center industry collectively spent $9,755,500 in the first nine months of 1982—an increase of 46% over the $6,672,100 spent during the same period in 1981.

Leading the increase was Payless Cashways, which spent $782,000 during the nine-month period, compared to only $39,700 the year before, a 1,870% increase. The Home Depot, meanwhile, showed a 335% increase in TV advertising expenditures, spending $687,700 during the period.

Other large spending increases were made by Hechinger, +185%; Sutherland Lumber, +149%; Forest City, +140%, and National Lumber, +75%. Builders Emporium held on to the No. 1 spot with $1,549,000 in TV advertising. Sutherland fulfilled industry expectations (*NHCN*, May 24, 1982) with TV ad expenses of $1,173,100, which earned second place among the top 15 home center TV advertisers. National Lumber held its own with the big spenders, and gained a notch moving from fourth to third with its $1 million budget.

TVB's numbers point to a wide range of spending on a per-store basis in the home center industry. Chains with under 10 units like Mr. Goodbuys (approximately $120,000 per store), Home Depot (approximately $68,000 per store) and Lumberjack (approximately $44,000) are the leaders on that basis.

If 100-store Payless Cashways continues its spending pattern, the chain will probably be the top home center television advertiser in 1983. Dale

(Continued on page 34)

NEWSBREAKS

PLYWOOD SUIT SETTLED. Agreement in principle was reached last month in a plywood price-fixing suit that has been in litigation since the 1970's. Under the class action settlement, Georgia-Pacific, Weyerhaeuser and Willamette Industries will pay $165 million to those harmed by the price fixing. Payments will be made over several years. The companies denied guilt.

BAYOU EXPANSION. W. R. Grace, in a joint venture with Gaylord's Discount Department Stores, bid $1 million and won a former King's discount store site in Metairie, La., presumably for its third Handy City outlet in the New Orleans market. Gaylords received the five other sites involved for $1.6 million.

INSIDE:

NLBMDA CONVENTIONEERS were in an upbeat mood as many forecast better times ahead for home builders .... Page 2
HOME DEPOT's third stock split in eleven months has made the home center chain the talk of Wall Street ..... Page 3
HOME CENTER RETAILERS benefitted during the Christmas season by doing less discounting of their products ..... Page 3
ABC LUMBER, once a conventional lumberyard operation, has risen from the ashes of a devastating fire to become a thriving upscale home center outlet ..... Page 4
FOREST CITY has committed itself to heavy coupon advertising to boost sales ..... Page 23

DIY Industry update

Diamond retains retail division

NEW YORK—Diamond International's retail division will remain part of Diamond USA at least for the near term after Diamond International shareholders approved the merger of the company into Diamond USA here last month.

According to the proxy statement pertaining to the merger, Diamond's 118 stores are labeled a "core" business along with the company's West Coast timber operations, the pulp and paper group and the Calmar packaging division that Diamond USA "intends to concentrate on developing and improving."

Diamond shareholders approved the merger of their company into Diamond USA, controlled by British financier Sir James Goldsmith, by casting better than 12.3 million or 89.6% of Diamond's common shares in favor of the plan.

Holders of 85% of the common needed to approve the plan for the merger to take effect. They are now receiving $44.50 for each share of Diamond International stock.

The proxy said a Goldsmith company has obtained $455 million in bank borrowings to finance the merger and that all or most of the borrowings will be repaid from the sale of Diamond assets not included in the core businesses.

Diamond International had already begun disposing some of those assets. Within a week after the merger, it announced the completion of the sale of Heekin Can to Wesray Packaging, whose chairman is former Treasury Secretary William E. Simon.

A class action suit filed in November and claiming the merger was unfair to Diamond stockholders is now considered a "moot" point by Diamond officials since the merger has now been approved, a Diamond official said. The company had originally said the action was without merit.

Copeland Lumber enters Arizona

KINGMAN, Ariz.—Copeland Lumber Yards, which operates 77 stores in California, Oregon, Washington, Nevada and Idaho, is moving into Arizona.

The Portland, Ore.-based chain recently purchased the Larry Hamman Lumber unit here for an undisclosed price, and hopes to expand further in the state, according to vice president Robert Laderoute.

"The Arizona market is our type of market and fits in well with our business," he said.

Copeland generated about 50% of its estimated $75 million in sales in 1982 from consumer business (*NHCN*, Oct. 25, 1982) and the store it acquired does about 50% of its sales with consumers during normal economic periods, explained Larry M. Hamman, president of Hamman Lumber.

Canada going metric in '84

TORONTO—Canadian building material suppliers will begin including metric dimensions along with standard imperial measurements in their ads as part of a major metric conversion starting Jan. 1, 1984, according to Vic Roskey, chairman of Canada's building materials suppliers and distributors committee on metric conversion.

Roskey, a senior vice president of Revelstoke and its 98 western Canadian home centers, noted the dual disclosure will be the first, or so-called "soft" conversion step in a two-step process.

"The emphasis will be on a change in measurement language only," Roskey said. "By concentrating on soft conversion first," he added, "we'll give ourselves and our customers a chance to get used to the new terminology. When it makes economic sense for the industry as a whole, or for individual companies, we'll go 'hard' conversion."

Hard conversion will involve actualiy changing the size of some building components such as 4-ft. x 8-ft. panel products, which will measure 1,200mm by 2,400mm. Another example of the change will be conversion from 16-in. centers to 400mm centers.

National Home Center News

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 9, No. 1 January 3, 1983

NLBMDA convention spotlights upturn amid builders' optimism

LAKE BUENA VISTA, Fla.—Lumber dealers from throughout the nation meeting here recently at Walt Disney World voiced a growing sense of optimism that their dreams for a turn upward in the economy may indeed be coming true.

David Stahl, executive vice president of the National Assn. of Home Builders (NAHB), told the lumbermen that "builders are more optimistic than [at] anytime in the past six years."

That assessment was based on a survey of 500 builders conducted monthly by the NAHB, Stahl told his audience at the 66th convention of the National Lumber and Building Material Dealers Assn.

Much of that conclave focused on the NLBMDA's effort to assist its members in selecting the proper computer system for their businesses. (*NHCN*, Nov. 22, 1982)

Several computer vendors selected by the NLBMDA for their ability to tailor programs to the specific needs of lumber dealers, had their wares on display.

According to Bud Howe, partner in Carver Lumber, Peoria, Ill., who was elected NLBMDA president during the convention, the trade group has explored the advantages and disadvantages of various computer systems to provide guidance for members. The reason, he said, was that some dealers in the past, have invested heavily in equipment that proved ill-suited to their needs.

NLBMDA president Bud Howe told lumber dealers at the group's convention that the trade organization is exploring the possibility of publishing its own national publication and running its own trade show.

A future goal may be NLBMDA endorsement of certain computer systems, according to Howe, who said this would provide an income source for the organization.

Another long-range, money-making opportunity being explored this year is the possibility of the NLBMDA launching its own national publication and running its own trade show

"Bud is strong on communication," said John Martin, chief of the NLBMDA's staff.

Currently, a quarterly newsletter is planned, with the first issue possibly coming out early this year. The organization is exploring its distribution alternatives, hoping to send the publication directly to each dealer, rather than through regional associations, which could mean delays and less timeliness, Martin said.

During a series of dealer service meetings, Paul Kay, Weyerhaeuser sales and distributions vice president, announced formation of the Wood Products Promotion Council, a group devoted to building dealer sales.

Formed by the Southern Forest Products Assn., the National Forest Products Assn.,

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Four-unit Herr Lumber cutting back; eliminates lighting fixtures from mix

SEATTLE—Herr Lumber, reacting to a protracted slump in contractor sales, is eliminating lighting fixtures from its merchandise mix. The move, according to chain president Wallace Barnett is another step the four-unit chain has had to take recently to cut costs.

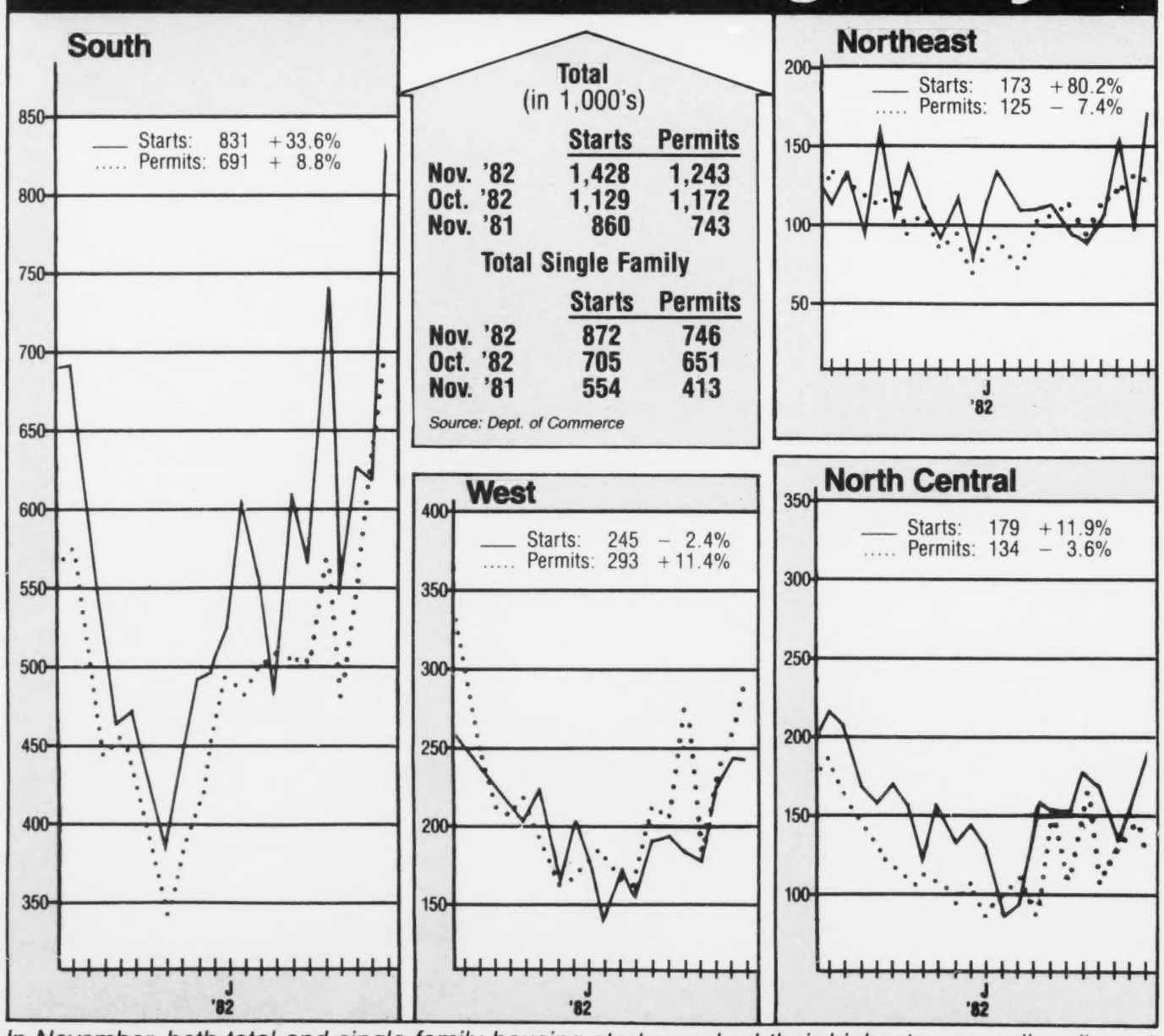
Herr Lumber, which closed its 6,000-sq.-ft. Everett store Sept. 25, has been running close-out promotions on light fixtures throughout the fall. The fixtures are currently being promoted at 10% below cost, but Barnett explained that he's coming out about even since that department was phased out gradually over a 12-month period.

Herr's stores are employing more part-timers and cutting back personnel by attrition. The stores are manned by an average of four people instead of six, and the main store has eight employees instead of 12. The yard and warehouse help was cut drastically, the plumbing department head was let go, and Barnett and the store managers are shouldering more of the purchasing load. Other departments at Herr which have cut back merchandise in the chain's belt-tightening are kitchen cabinets, electricals and plumbing.

Perhaps the only bright spot in the chain's sales is the result

(Continued on page 33)

November home-building activity



In November, both total and single family housing starts reached their highest seasonally adjusted levels since January 1981, with 1.4 million and 872,000 starts recorded, respectively. The total start figure was 66% ahead of a year ago, while the single family number was up 57.4% for the same period. On a regional basis the strongest activity occurred in the Northeast, up 78.4% in seasonally adjusted total starts over a year ago, and the South, up 76.8%. Permits were also slightly ahead of October and 67.3% ahead of November 1981 for total housing, seasonally adjusted, and 80.6% ahead for single family units. "We thought the numbers would be up, but we didn't think they'd be up by that much," said a spokesman for the National Assn. of Homebuilders. Most encouraging, he said, was that the numbers have now been strong for three or four months.

LUMBER REPORT

Manufacturers agree to voluntary safety rules

By Laura Woda
Washington correspondent

Plywood and particle board manufacturers agreed to develop a voluntary standard limiting urea-formaldehyde emission levels in pressed wood products in order to head off mandatory safety rules that would increase prices and reduce supplies.

Under one proposal being considered by the Consumer Product Safety Commission, mandatory emission levels would be set at 0.05 parts formaldehyde per million parts air—a more than 80% drop from current levels.

This would have "a devastating impact on the industry," Georgia Pacific corporate coordinator of environment health and chemical safety C. T. Howlett Jr. told *NHCN*. Such a requirement would "more than double or triple" the price of plywood and particle board products, and "could totally wipe out supplies," he said.

Howlett warned that if the C.P.S.C. tries to force the industry to meet emission standards that are not technically feasible, they may as well "ban the American home."

At a recent C.P.S.C. meeting, set up by the wood products industry, manufacturers stressed that Government interference isn't necessary because they have been successful in lowering u.f. emission levels on a voluntary basis.

During the last three years, u.f. emission levels have been reduced from 1 ppm to 0.3 ppm for wood products that go into the construction of mobile homes, manufacturers maintained.

The cost of achieving the low emission levels, however, was high with the price of certain wood products increasing by 20%, industry leaders told C.P.S.C. Any further reduction would mean even higher costs and reduced supplies, Georgia Pacific president T. Marshall Hahn warned.

Despite these advances in the area of mobile homes, the commission expressed concern that u.f. levels in "pressed wood products, such as cabinets or panels, that find their way to home center outlets like Hechingers," could represent a health danger, Howlett said.

The controversy over the safety of u.f. stems from studies which indicate that it causes cancer in animals, and nausea, headaches and dizziness in humans.

While these findings are well documented for products used in the construction of mobile homes, both C.P.S.C. and the industry agreed that information on consumer exposure to u.f. from pressed wood products in conventional homes is limited.

Nonetheless, C.P.S.C. suspects that "while formaldehyde levels in conventional homes, on the average may be lower than in mobile homes, they may be high enough to pose a potential health risk to consumers."

Consequently, at the meeting C.P.S.C. asked the industry to develop a voluntary standard to reduce consumer exposure to formaldehyde from pressed wood products. The manufacturers assured C.P.S.C. that the industry would be "happy to work with the commission," Howlett said.

While no definite deadline was set, within the next six months the wood industry should be ready to submit a preliminary proposal, and by 1984 voluntary standards could be in effect, he maintained.

The Consumer Federation of America, however, petitioned the C.P.S.C. to set mandatory standards as soon as possible. "The lengthy delay of proceeding with a voluntary standard, which will ultimately lead to the need for establishing a mandatory standard anyway, will only result in increased agency costs and costs to the public in terms of medical bills and physical suffering," C.F.A. said.

The urgency of the problem is seen in the growing number of consumer complaints and the increased use of pressed wood products in our homes today, the petition charged.

According to C.F.A., the commission received nearly 2,000 complaints from consumers who suffered adverse health effects from exposure to u.f. in their homes.

The petition said that 65% of all u.f. is used in the manufacture of pressed wood products including particle board, indoor grade plywood and fiberwood. Because these products are used extensively in the remodeling and renovation of homes, as well as in the construction of new homes, C.F.A. charged that public exposure to u.f. is too high.

As a result C.F.A. recommended that the commission set mandatory emission levels at 0.05 ppm. If the industry can't meet that level, the Government should impose "a Federal ban on the use of u.f. resins in pressed wood products."

Howlett argued that the technology simply isn't available to meet such low levels and that there was no reason to believe it was necessary.

Based on recommendations from health officials in Minnesota, lawmakers in that state passed regulations that set formaldehyde emission levels at 0.5 ppm—well above C.F.A.'s suggested level, Howlett pointed out.

Minnesota was not the only state to propose legislation limiting the amount of formaldehyde contained in wood products. According to an August report prepared by C.P.S.C. "Wisconsin has a regulation pending in court that limits formaldehyde levels in mobile homes to 0.4 ppm, while in Texas a disclosure notice requirement warns purchasers of mobile homes of possible health effects from formaldehyde."

The report not only stressed the importance of lowering u.f. levels in mobile homes but also in pressed wood products. With the growth of the do-it-yourself home repair market, more and more consumers will be exposed to u.f., the report said.

DIYers accounted for about half of the $50 billion spent in 1981 on home repairs and remodeling, the report said. Although the report didn't recommend specific emission levels, it did suggest that the C.P.S.C. staff "gather information on the feasibility and costs of various levels which would need to be balanced against the health benefits of lowering formaldehyde."

FUTURES

Two weeks ended Dec. 10, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Jan.	171.40	159.40	163.60	165.30	3,907	205.50	139.00
March	183.70	173.30	178.40	177.80	3,293	209.80	146.80
May	190.50	181.10	187.40	185.40	1,321	202.00	151.50
July	198.50	190.20	197.10	194.50	951	201.00	158.00
Sept.	201.00	193.60	200.70	197.80	782	201.60	163.80
Nov.	201.80	195.00	201.40	197.50	295	202.50	168.00
Jan. '84	208.50	201.00	205.50	204.00	70	210.50	179.00

Total Contract Vol. (Through 12/10): 23,957 — **Previous Two Weeks: 19,478**
Total Open Interest (As of 12/9): 10,626 — **Previous Week: 10,910**
Cash Price: $156.50 — **Previous Week: $160.72** — **Year Ago: $141.12**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Jan.	198.50	187.50	188.80	192.50	990	218.60	157.00
March	202.60	191.80	192.80	196.50	461	203.80	162.50
May	206.50	196.00	197.20	200.20	198	207.20	167.00
July	209.70	200.80	201.30	204.20	188	211.50	170.00
Sept.	212.00	204.50	205.60	207.50	41	214.50	185.00
Nov.	216.70	207.00	207.50	210.00	25	217.60	207.00

Total Contract Vol. (Through 12/10): 2,486 — **Previous Two Weeks: 1,484**
Total Open Interest (As of 12/9): 1,903 — **Previous Week: 1,786**
Cash Price: $190.12 — **Previous Week: $196.00** — **Year Ago: $188.16**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	232.0	232.9	254.0

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Dec. 9.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Ray Harrell roasted, then toasted at NLBMDA convention tribute

LAKE BUENA VISTA, Fla.—Ray Tylander opened the National Lumber and Building Material Dealers Assn.'s tribute to Ray Harrell by noting that no one could be found who had any good things to say about the recently retired vice president.

Tylander, a Lake Park, Fla., lumber dealer, said that he and co-chairman for the breakfast, Tommy Thompson, a former NLBMDA president from Champaign, Ill., were forced to ask for people who had anything bad to say about Harrell. Then, said Tylander, it was a matter of limiting the abundance of speakers to three minutes each.

The first roaster was Pete Bowers, a former lumberman now serving as H.U.D.'s deputy assistant secretary of single-family housing and mortgage activity. He noted that his home state, Tennessee, has spawned many formidable Americans, such as Davy Crockett.

In contrast, he said, "There's Ray Harrell."

Bowers and other fellow travelers in the industry then provided a litany of Harrell's alleged professional failings, nautical incompetence and general ineptitude, as a way of showing their affection and gratitude for his almost 30 years of service on behalf of lumbermen.

Their comments were part of the Ray Harrell Recognition Breakfast, held during the NLBMDA's 66th convention, Nov. 18-21, at Disney World's Contemporary Resort Hotel.

Harrell, who retired last summer as NLBMDA vice president, was concerned basically with dealer services. He became affiliated with the NLBMDA in 1966, when it merged with the Lumber Dealers Research Council, which Harrell joined in 1954.

During his career, Harrell traveled more than 1.5 million miles to assist lumber dealers. He worked with 27 different NLBMDA presidents and executive vice presidents.

The first president he worked for was Paul DeVille of Canton, Ohio, who recalled that one of Harrell's initial projects, putting together an exposition in New York, was not successful.

"We lost money," said DeVille, at the podium.

Harrell, sitting on stage behind the centerpiece of the long head table, shook his head and smiled. "Eighty thousand dollars," he said.

Former NLBMDA vice president Ray Harrell (left) accepts a check from Jim Duke, executive vp of the Louisiana Building Material Dealers Assn., at recognition breakfast held in Harrell's honor at NLBMDA's 66th convention.

The point was quickly made, however, that with experience Harrell soon improved. Some future cost savings were accrued by his sharp scrutiny of union laborers constructing an exhibition display. By following the actions of an individual worker, Harrell noticed that a flurry of activity was masking an absence of hard work and construction progress. The situation was corrected.

Other speakers, such as Paul Kay, Weyerhaeuser vice president of sales and distribution, tried to allay the impression that Harrell was an effective executive, by dwelling on his disasters as a Sunday sailor. Bowers referred to him as King Neptune of the Potomac.

Kay awarded him a long string to use when his fishing line tangles and a stick capped with an item of women's lingerie for signaling for help.

"If you get half the attention I got buying these yesterday, you'll be fine," said Kay.

Harrell accepted the award with a smile, standing at his seat and waving the white flag from side to side.

Their true token of appreciation was presented to Harrell at the end of the roast by Jim Duke, executive vice president of the Louisiana Building Material Dealers Assn.

When NLBMDA leaders heard Harrell was considering retirement, several asked him about his finances. And he reportedly kept answering, "I'm set for life." That prompted one of his friends to respond, "I don't know if he's rich or had a vasectomy."

Taking no chances, Duke, on behalf of the NLBMDA, presented Harrell with a check for more than $10,000.

NLBMDA convention

(Continued from page 2)

the Western Wood Products Assn. and the American Wood Council, the new group will attempt to stimulate greater demand in various wood markets, with a pilot program now in place in Cincinnati and another one slated for San Diego next month. Various consumer clinics and merchandising aids are supplied to participating dealers.

Howe, who will be president for one year, replaces 1982's NLBMDA leader, Doug Ashy, of Doug Ashy Building Materials, Lafayette, La. Howe's first vice president is William Morrow, Morrow & Sons, Lawson, Mo.

Key committee chairmen include Fred Engle, Gerhart Bros. Building Supply Center, Ephrata, Pa., who will direct the dealer services committee and Jim Duke who will chair the legislative and government agency affairs committee. Duke is managing officer of the Louisiana Building Material Dealers Assn.